

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on March 9, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Rick Dale (R)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 623
Executive Action: HB 236, HB 367, HB 225

Miscellaneous Discussion:

REP. RON ERICKSON handed out information regarding quarterly estimated tax payments **EXHIBIT(tah54a01)**. He also handed out Montana Person Income Current Dollars **EXHIBIT(tah54a02)** and a tax table regarding the structure change **EXHIBIT(tah54a03)**. He explained the handouts.

CHAIRMAN BOB STORY asked if these were calendar year wage estimates. **REP. ERICKSON** answered yes.

REP. KEITH BALES referred to a booklet that would verify this data and the projections for the state.

EXECUTIVE ACTION ON HB 236

Motion: **REP. ESP** moved HB 236 BE AMENDED. Amendments were handed out **EXHIBIT(tah54a04)**.

Discussion:

REP. JOHN ESP explained the amendments handed out and made clarifications to the bill.

REP. GARY FORRESTER wondered about the numbers and it would cut the funding in half. **REP. ESP** said this would be a trial program and the funding would be mandated by the legislation.

REP. EILEEN CARNEY referred to the fiscal note and where funding was taken from. **REP. ESP** explained grants awarded within the funding period.

REP. ERICKSON asked if the amendment would clarify where the funding is being taken from. **REP. ESP** understood the money would come from the Travel Montana budget.

REP. ERICKSON wanted to add to the amendment to clarify where funds come from and how distributed. **Jeff Martin, Legislative Staff**, said it would help clarify the bill. He offered changes of the location of the funding issue within the amendment.

REP. ERICKSON thought they could add how it would be distributed also. **Jeff Martin** said adjustments would need to be made.

REP. ESP thought language could be changed to clarify the bill. **Jeff Martin** agreed and offered suggestions of language to add.

Substitute Motion/Vote: REP. ERICKSON made a Substitute Motion to add FUNDING OF \$500,000 FROM TRAVEL MONTANA carried 15-4 with REP. SOMERVILLE, FORRESTER, WANZENRIED and REP. LASLOVICH voting no.

Motion: REP. ESP moved DO PASS AS AMENDED.

Discussion:

REP. ESP said this would bring in millions of dollars to the state. He explained the use of money and how it would be effective.

REP. TRUDI SCHMIDT asked about related events this would impact. REP. ESP said several events including the Lewis & Clark Bicentennial would be used to promote a long time event in connection with this.

CHAIRMAN STORY felt there were many opportunities to be used on a rotation for organization of these events.

REP. ERICKSON gave an example of an event and how this would be effective. REP. SCHMIDT said it would be beneficial with the groups involved.

{Tape 1; Side B}

Vote: Motion carried 11-9 with REP. SOMERVILLE, REP. CARNEY, REP. CYR, REP. DALE, REP. DEVLIN, REP. FORRESTER, REP. JACKSON, REP. LASLOVICH and REP. WANZENRIED voting no.

EXECUTIVE ACTION ON HB 367

Motion: REP. ERICKSON moved HB 367 BE AMENDED. Information regarding HB 367 was handed out **EXHIBIT(tah54a05)**. An estimated change in values was handed out to the committee **EXHIBIT(tah54a06)**. Amendments were presented **EXHIBIT(tah54a07)**.

Discussion:

REP. ERICKSON talked about the information handed out. Jeff Martin explained the amendments and clarifications made to the language.

REP. ERICKSON agreed the amendments change the bill. He pointed out the limitation of the dollar amount. He mentioned the

problems with the bill when it was first presented to the committee.

CHAIRMAN STORY gave an example of someone building and he asked how this would effect them. **REP. ERICKSON** assumed it would be assessed with current value. **Jeff Martin** agreed.

REP. BALES referred to Amendment eight and wondered about the tax payable dates. **Jeff Martin** said the intent of these amendments would have the property assessed in the current tax year.

REP. BALES wondered about the tax payment and if it was utilized in the previous year. **Jeff Martin** said the tax would be prorated.

Vote: Motion carried unanimously.

Motion: **REP. ERICKSON** moved HB 367 DO PASS AS AMENDED.

Discussion:

REP. ERICKSON referred to **EXHIBIT (6)**. He mentioned the revenue figures for the year with local businesses.

REP. ESP gave reasons of unfairness with this bill. He wasn't in favor of the bill. He mentioned reductions and increases of value and the fairness and unfairness with the legislation.

REP. BALES was concerned about the bill relating to agriculture.

REP. ROGER SOMERVILLE referred to the amendments and asked how an individual should know the update and status of the structure on the new construction. **REP. ERICKSON** said occupancy would be the key. **Jeff Martin** didn't think there was a reasonable timing issue with relocation. **REP. TOM FACEY, HD 67, MISSOULA, SPONSOR OF HB 367**, explained relocation and the occupancy issue.

REP. SOMERVILLE explained an incident of working on his house and when he was able to move in. He liked the system dealing with taxes pertaining to occupancy.

REP. FORRESTER asked about funding and how the county commissioners would know when to collect on the building being occupied. **REP. SOMERVILLE** understood the concern and he said it depends upon the counties with growth.

Substitute Motion/Vote: REP. ESP made a substitute motion to amend changing the penalty percentage. Motion carried 18-1 with REP. BALYEAT voting no.

{Tape 2; Side A}

Discussion:

REP. ESP addressed the issues of recording when occupancy takes place within a building.

REP. SCHMIDT wondered if the penalties could be made punitive. REP. SOMERVILLE thought it would deal with the occupation and use.

REP. JOAN ANDERSEN asked how people would be notified. REP. ERICKSON said it becomes part of the law to pay taxes on commercial buildings.

REP. FACEY stated how it shouldn't be a hassle dealing with issues of occupancy and emphasized the date of legislation to take place.

Substitute Motion/Vote: REP. ERICKSON made a substitute motion to change the improvement values. Motion carried 18-1 with REP. BALYEAT voting no.

Discussion:

REP. VERDELL JACKSON didn't think people, who were building wouldn't be getting away with anything, they would have to pay the taxes.

REP. SCHMIDT supported the improvement value change. She felt it would make it less punitive.

CHAIRMAN STORY thought it would increase an anticipated revenue, which would not be a taxed.

REP. ERICKSON read an email sent to him regarding this situation.

Vote: Motion to pass as amended 9-11 failed with REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. CYR, REP. ESP, REP. FORRESTER, REP. FUCHS, REP. SCHMIDT and REP. WANZENRIED voting aye.

Motion/Vote: REP. RONALD DEVLIN moved to table by reversing the vote.

HEARING ON HB 623

Sponsor: REP. JEFF MANGAN, HD 45, GREAT FALLS

Proponents: Wendy Young, Executive Director, W.H.E.E.L.,
Helena

Opponents: None

Informational Witnesses:

Linda Fillinger, Director, Early Child Services
Bureau, Helena

Opening Statement by Sponsor:

REP. JEFF MANGAN, HD 45, GREAT FALLS, stated this bill would provide a tax credit for businesses developing a child care facility for their employees and it also expands the tax credit for employees paying for their childcare. He addressed how businesses could thrive with economic childcare. He said this legislation is supported by businesses and their employees and would be a good tax credit. He explained sections of the bill and possible amending of areas.

Proponents' Testimony:

Wendy Young, Executive Director, W.H.E.E.L., Helena, talked about low income families and the assistance this bill would offer. She felt this bill would be a win-win situation and offers a good environment for the parent and employer involved.

Opponents' Testimony: None

Informational Witness:

Linda Fillinger, Director Early Child Services Bureau, Helena, said she would be available for any questions.

Questions from Committee Members and Responses:

REP. JESSE LASLOVICH asked if there was a fiscal note with this bill. REP. MANGAN said he was waiting for one.

{Tape 2; Side B}

REP. SOMERVILLE asked if drop-in childcare was included or excluded with this bill. **REP. MANGAN** said drop-in childcare is not included with this bill.

REP. SOMERVILLE wondered if current daycare was included with this bill. **REP. MANGAN** said no current daycare is included unless an employer is helping subsidize an employee's childcare.

REP. CARNEY asked about the referral and the expense incurred. **REP. MANGAN** couldn't imagine what the expense would be. He gave an example of Great Falls facilities wanting to utilize childcare. He said the purpose would be to investigate the highest quality of care for their employees with children.

REP. VERDELL JACKSON asked about the cost for childcare currently. **REP. MANGAN** answered \$4,600 per year.

REP. JACKSON asked if this was a difficult charge. **REP. MANGAN** answered yes, it is.

REP. JACKSON asked how much would this breakdown per hour. **REP. MANGAN** said he didn't have the daily rate per hour, but estimated it between \$18 and \$20 a day.

REP. JACKSON asked about the situation within the job care credit. **REP. MANGAN** said it would depend upon guidelines with personal tax credits and this bill pertains to businesses.

REP. ANDERSEN referred to Idaho and asked if they receive a tax credit. **REP. MANGAN** believed they do and said this bill was patterned off of Oregon's law.

REP. ANDERSEN asked if the child care center would be licensed by the state. **REP. MANGAN** answered yes.

REP. ESP referred to page four and asked about the liable expenses. **REP. MANGAN** said if an amendment would be necessary to clarify the language on page four, he was for it. He offered ways for small businesses to work within the expenses.

REP. ESP asked if the proposed credit was related to any normal reduction or expenses. **REP. MANGAN** said language within the bill would define this issue.

REP. ESP asked if an amendment should clarify this language. **REP. MANGAN** wasn't sure if this would be needed for tax credit. He explained how the bill offers credit to a certain point.

REP. ERICKSON wondered about a deduction for parents as employees. He asked if the present law should be changed for employees. **REP. MANGAN** believed the present law was not offering credits to employees. He thought this legislation would assist with employees tax credits pertaining to parenting.

REP. ERICKSON referred to the code and talked about the implications with the present law.

REP. SOMERVILLE asked if this bill only favors big companies.

REP. MANGAN said small businesses are included with this bill and he gave examples of business populations.

REP. SOMERVILLE wanted clarification for the distance of dropping the child off. He asked if they would be able to deduct and accept a credit with the facility used. **REP. MANGAN** believed it would have to be a licensed facility within the current law.

REP. BALLYEAT wondered about the distinction if the employer deducts credit and employee doesn't have to add to income. He asked about the change in deduction to a credit. **REP. MANGAN** said that is not the intention of the bill.

REP. ANDERSEN asked about dependents and if this would include elderly people taking care of children. **REP. MANGAN** answered yes, that is the reason for dependent care.

CHAIRMAN STORY asked about the requirements of how many children would accommodate the facility. **REP. MANGAN** said the bill should offer requirements.

CHAIRMAN STORY asked about the operation to begin by 2007. He wondered if there was a Sunset Bill included. **REP. MANGAN** answered this bill was patterned by Oregon Law and it had been set up with a time period for the facility to be constructed. He said it allows a carry over for a credit of expenses incurred during the years for completion.

CHAIRMAN STORY asked if the credit for the process would apply to someone self-employed. **REP. MANGAN** deferred to legislative staff to answer that question.

CHAIRMAN STORY wondered if the expenses could be used for economic development elsewhere. **REP. MANGAN** said it is another amount going locally into the community.

CHAIRMAN STORY asked about the credit and referral information.

REP. MANGAN said the bill is broad and this area is being worked on to be more specific.

REP. SCHMIDT asked about clarification with daycare. **Linda Fillinger** explained funding for a program in place currently. She also mentioned providing childcare aspects for businesses.

REP. SCHMIDT asked about self-employed families having a childcare provider. **Linda Fillinger** said she wouldn't think that would be different as any other employer using a childcare provider.

{Tape 3; Side A}

REP. BALYEAT talked about a self-employed person and what they would be eligible for.

CHAIRMAN STORY asked if there was a different licensing standard for the size of daycare. **Linda Fillinger** answered yes. She explained the requirements of registration for the amount of children in the facility.

CHAIRMAN STORY referred to page two and asked if those facilities were covered. **Linda Fillinger** said she believed they would be covered.

Closing by Sponsor:

REP. JEFF MANGAN, HD 45, GREAT FALLS, closed on the bill and emphasized how this legislation would be essential for the state. He talked about tax breaks and how they were expanded with the assistance of this bill. He felt parents need a break and they struggle to provide for their families. He asked for support of this bill.

EXECUTIVE ACTION ON HB 225

Motion: **REP. SCHMIDT** moved HB 225 BE AMENDED. Trust fund information was handed out **EXHIBIT (tah54a08)**. Amendments were handed out **EXHIBIT (tah54a09)**.

Discussion:

REP. SCHMIDT talked about the amendments and language changes to clarify the bill.

CHAIRMAN STORY wondered about an education trust account. He asked if the account was still available. **Jeff Martin** said it should still be available and the balance is zero.

CHAIRMAN STORY thought the education trust might offer some confusion. **Jeff Martin** said it would be a different type of trust and this should make it clear.

REP. ERICKSON asked if there was a fiscal analysis for this bill. **REP. SCHMIDT** answered no. She explained the fiscal note being changed.

CHAIRMAN STORY agreed with diversions made with the fiscal note. He asked if it would impact fiscal year 2002. **REP. SCHMIDT** said no.

CHAIRMAN STORY asked about money being taken out. **Jeff Martin** explained where the money is being returned to. **REP. SCHMIDT** gave examples of earning amounts and where the percentages go.

Vote: Motion carried unanimously.

Motion: **REP. SCHMIDT** moved HB 225 DO PASS AS AMENDED.

Discussion:

REP. CARNEY thought this bill would peak interest and assist students attending colleges to stay in state.

REP. GARY BRANAE said he worked closely with determining who would receive trust funds. He explained how schools receive scholarships pertaining to attendance.

Substitute Motion: **REP. ANDERSEN** made a substitute motion EXPANDING HONOR SCHOLARSHIP PROGRAM.

Discussion:

REP. ANDERSON believed if students were offered for a scholarship they would be able to go out of state.

REP. SCHMIDT commented on the proposed amendment and said it may cause a problem. She said if a student goes out of state on scholarships they may change their major.

REP. ERICKSON wondered why students leave for other programs out of state.

{Tape 3; Side B}

REP. ESP supported the proposed amendment. He liked the idea of students being offered other options.

REP. CARNEY assumed impacts would limit which schools the students attend. **Jeff Martin** said that would be correct with this amendment. He explained the compact of allowing students to attend other schools.

REP. ERICKSON explained students who have moved around and changed majors. He thought students going out of state may be able to utilize coal tax money.

Vote: Substitute motion failed 9-10 with **REP. SOMERVILLE, REP. ANDERSON, REP. BALLYEAT, REP. DALE, REP. ESP, REP. FORRESTER, REP. WADDILL, REP. WAITSCHIES** and **CHAIRMAN STORY** voting aye.

Discussion:

CHAIRMAN STORY said students need a planned program to pursue.

REP. SCHMIDT couldn't support the substitute motion on the amendment because she felt it would allow students to change majors and move out of state.

REP. ANDERSON felt students, who move out of state to attend school, would come back and offer the state good economic developments.

REP. ERICKSON said there is no knowledge the student would return back to the state to offer economic change.

REP. BALLYEAT wondered about striking language and reinserting language pertaining to financial aid to students. **REP. ANDERSON** said it would assist students with offering options.

{Tape 4; Side A}

Jeff Martin explained how money would be spend and for purposes offered through the statutes.

REP. BALLYEAT wondered about implications of another bill that might impact this legislation.

REP. CARNEY said both bills should fit together well. **CHAIRMAN STORY** said the bills might be in correlation.

REP. ERICKSON wondered about the bulk of the money for scholarships.

REP. LASLOVICH explained friends, who went out of state for school and scholarships received.

REP. BALES was concerned with the percent of students coming back to the state to work.

CHAIRMAN STORY believed the honors program to be good and explained the money offered through the general fund.

REP. ERICKSON believed this bill would assist with containing students in state.

Vote: Motion carried 11-9 with REP. ERICKSON, REP. BALYEAT, REP. BRANAE, REP. CARNEY, REP. CYR, REP. DALE, REP. FORRESTER, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting aye.

ADJOURNMENT

Adjournment: 11:52 A.M.

REP. BOB STORY, Chairman

CECILE M. TROPILA, Transcriptionist

BS/RV

EXHIBIT (tah54aad)